

# Agricultural Commodity Outlook

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Chairperson

World Agricultural Outlook Board

Office of the Chief Economist

U.S. Department of Agriculture

to

***Michigan Farm Bureau***

Washington, D.C.

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<http://www.usda.gov/oce/speeches/index.htm>

# Special Note

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- U.S. Supply and Demand Projections for 2008/09 and Beyond in this Presentation are from USDA's 2008 Outlook Forum and from **USDA Agricultural Projections to 2017**
  - Provisions of the Energy Independence and Security Act of 2007 are not Fully Reflected in USDA's projections to 2017
  - Key Upcoming USDA Reports:
    - NASS ***Prospective Plantings*** Report -- March 31, 2008
    - ***World Agricultural Supply and Demand Estimates*** Report -- May 9, 2008
    - NASS ***Acreage*** Report -- June 30, 2008
-

# U.S. Wheat Supply and Demand

	2006/07 estimate	2007/08 forecast	2008/09 forecast	Change from 2007/08 <i>Percent</i>
Planted area (million acres)	57.3	60.4	64.0	5.9
Harvested area (million acres)	46.8	51.0	54.4	6.6
Yield (bushels per acre)	38.7	40.5	42.8	5.7
	<i>Million bushels</i>			
Beginning stocks	571	456	272	-40.4
Production	1,812	2,067	2,330	12.7
Imports	122	90	100	11.1
Total supply	2,505	2,613	2,702	3.4
Food, seed, and industrial use	1,015	1,036	1,039	0.3
Feed and residual	125	110	175	59.1
Domestic use	1,140	1,146	1,214	5.9
Exports	909	1,225	950	-22.4
Total use	2,049	2,371	2,164	-8.7
Ending stocks	456	242	538	122.4
	<i>Percent</i>			
Stocks to use ratio	22.3	10.2	24.9	
	<i>Dollars per bushel</i>			
Average market price	4.26	6.65	7.00	5.3

# U.S. Corn Supply and Demand

	2006/07 estimate	2007/08 forecast	2008/09 forecast	Change from 2007/08 <i>Percent</i>
Planted area (million acres)	78.3	93.6	90.0	-3.8
Harvested area (million acres)	70.6	86.5	82.7	-4.4
Yield (bushels per acre)	149.1	151.1	154.9	2.5
	<i>Million bushels</i>			
Beginning stocks	1,967	1,304	1,438	10.3
Production	10,535	13,074	12,810	-2.0
Total supply	12,514	14,393	14,263	-0.9
Feed and residual	5,598	5,950	5,400	-9.2
Food, seed, and industrial	3,488	4,555	5,470	20.1
Ethanol	2,117	3,200	4,100	28.1
Domestic use	9,086	10,505	10,870	3.5
Exports	2,125	2,450	2,150	-12.2
Total use	11,210	12,955	13,020	0.5
Ending stocks	1,304	1,438	1,243	-13.5
	<i>Percent</i>			
Stocks/use	11.6	11.1	9.5	
	<i>Dollars per bushel</i>			
Average market price	3.04	4.00	4.60	3.0

# U.S. Soybean Supply and Demand

	2006/07 estimate	2007/08 forecast	2008/09 forecast	Change from 2007/08 <i>Percent</i>
Planted area (million acres)	75.5	63.6	71.0	11.6
Harvested area (million acres)	74.6	62.8	70.1	11.6
Yield (bushels per acre)	42.7	41.2	42.1	2.3
	<i>Million bushels</i>			
Beginning stocks	449	574	160	-72.1
Production	3,188	2,585	2,950	14.1
Imports	9.0	6.0	6.0	0.0
Total Supply	3,647	3,165	3,116	-1.5
Crush	1,806	1,835	1,860	1.4
Seed and Residual	148	165	177	7.1
Domestic use	1,955	2,000	2,037	1.8
Exports	1,118	1,025	910	-11.2
Total Use	3,073	3,025	2,947	-2.6
Ending stocks	574	140	169	20.9
	<i>Percent</i>			
Stocks/use ratio	18.7	4.6	5.7	
	<i>Dollars per bushel</i>			
Average market price	6.43	10.40	11.50	10.6

# Major Crop and CRP Acreage

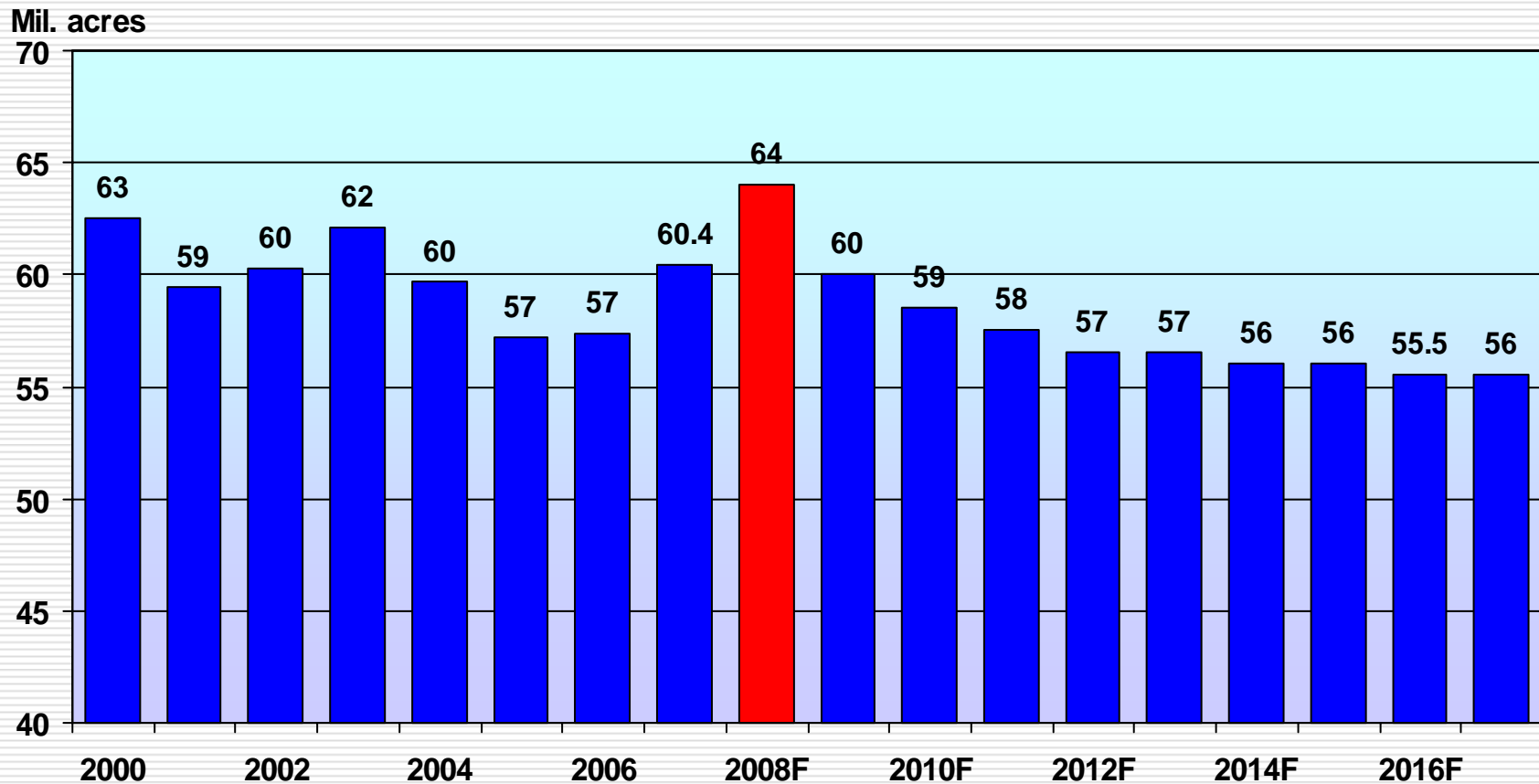
(USDA Outlook Forum – Feb. 2008)

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	2007/08	2008/09	Change
	Million acres		
Corn	93.6	90.0	-3.6
Soybeans	63.6	71.0	+7.4
Wheat	60.4	64.0	+3.6
All Cotton	10.8	9.5	-1.3
Rice	2.76	2.70	-0.1
5-crop total	231.2	237.2	+6.0
CRP acres	36.8	34.8	-2.0

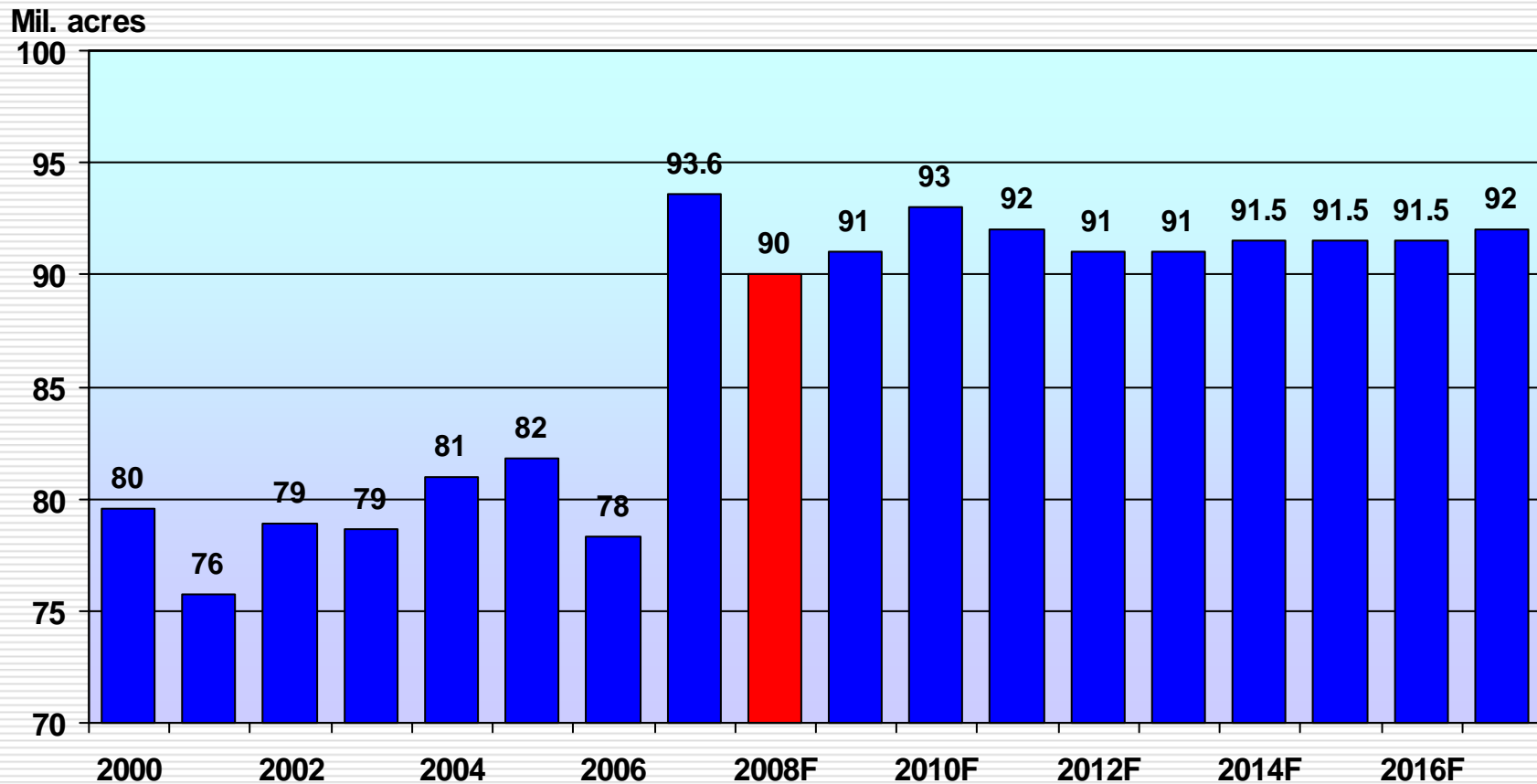
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# U.S. Wheat Planted Area Trend



Note: 2008 planted area forecast from USDA's *Grains & Oilseeds Outlook*, Agricultural Outlook Forum, Washington, D.C., February 22, 2008. Projections for 2009-2017 are from *USDA Agricultural Projections to 2017*, February 2008.

# U.S. Corn Planted Area Trend

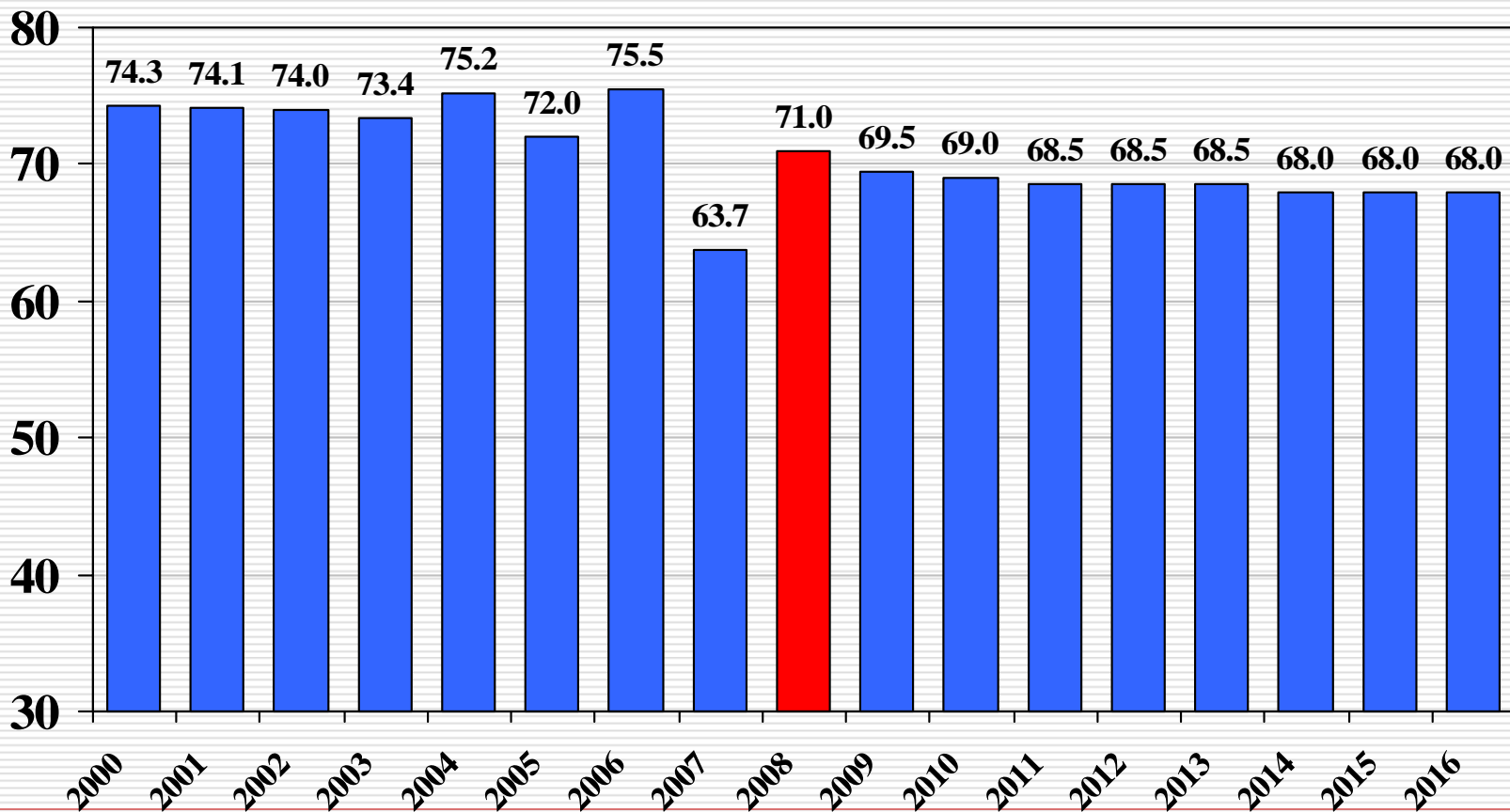


Note: 2008 planted area forecast from USDA's *Grains & Oilseeds Outlook*, Agricultural Outlook Forum, Washington, D.C., February 22, 2008. Projections for 2009-2017 are from *USDA Agricultural Projections to 2017*, February 2008.



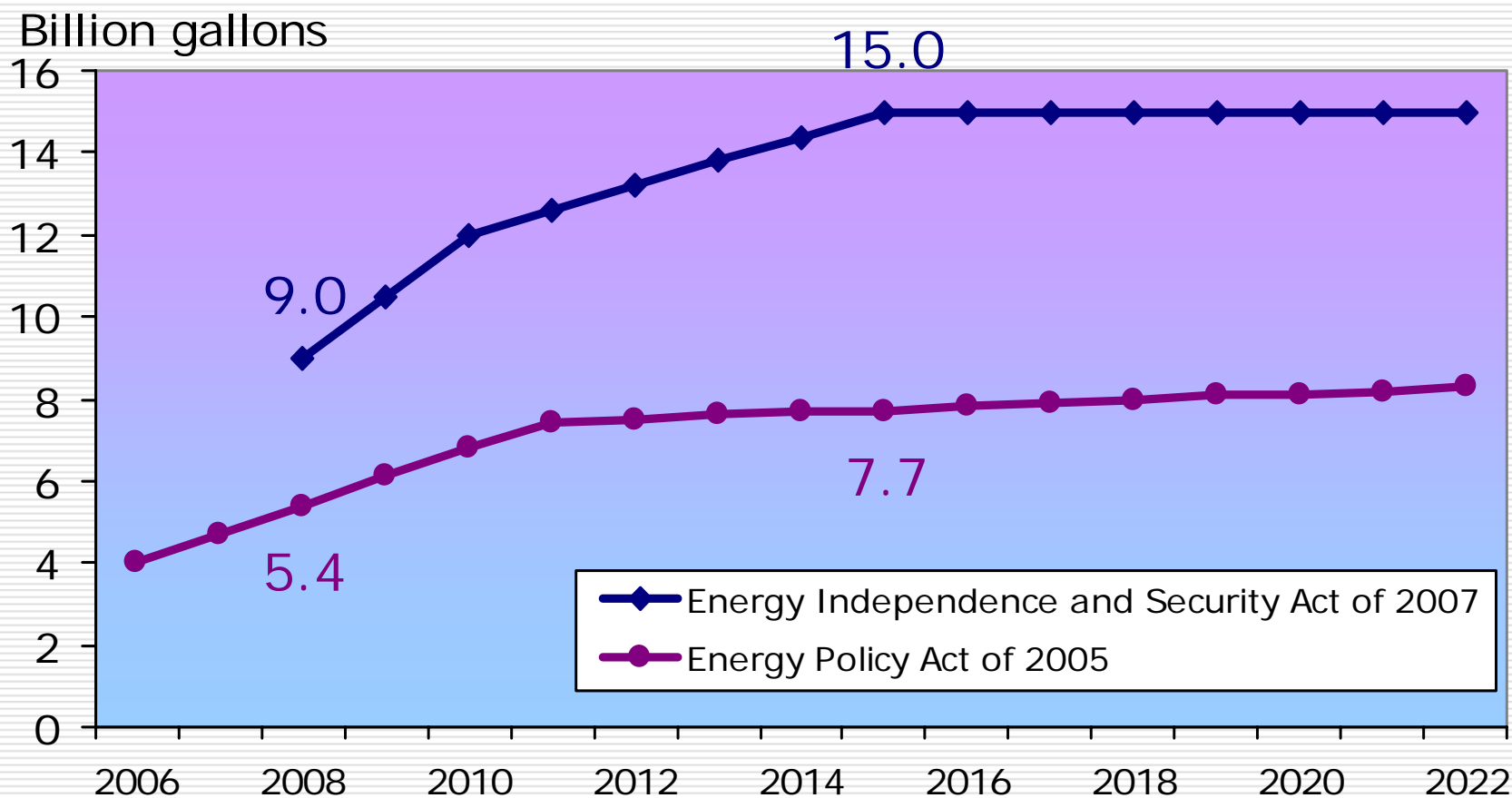
# U.S. Soybean Planted Area Trend

Million Acres



# Renewable Fuel Standards (RFS)

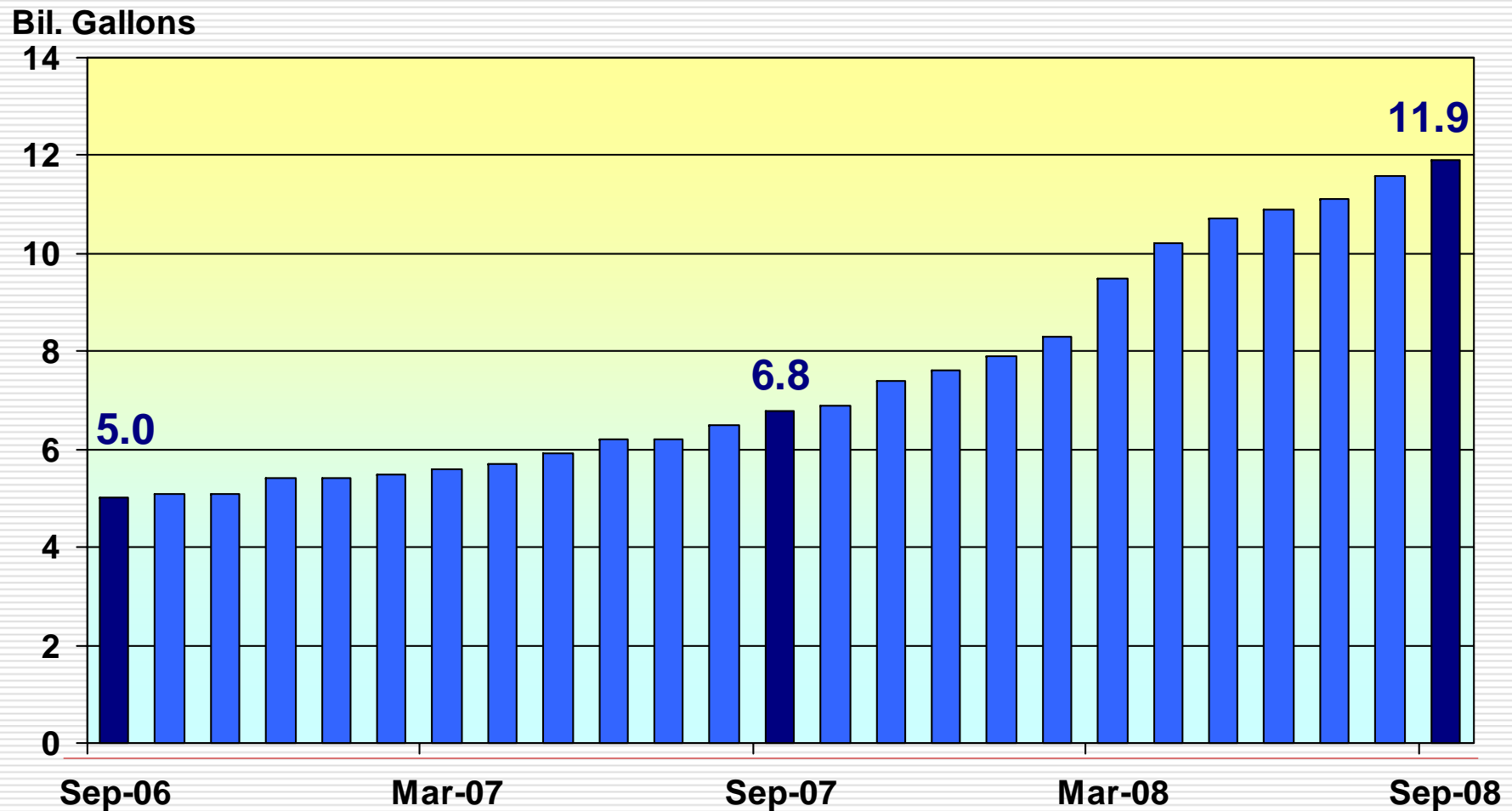
Corn starch based ethanol, 2006 through 2022



Note: RFS levels under the Energy Policy Act of 2005 are projected for 2013 and beyond based on the act's provisions and growth in motor gasoline consumption for transportation projected by the Energy Information Administration in *Annual Energy Outlook 2008*.

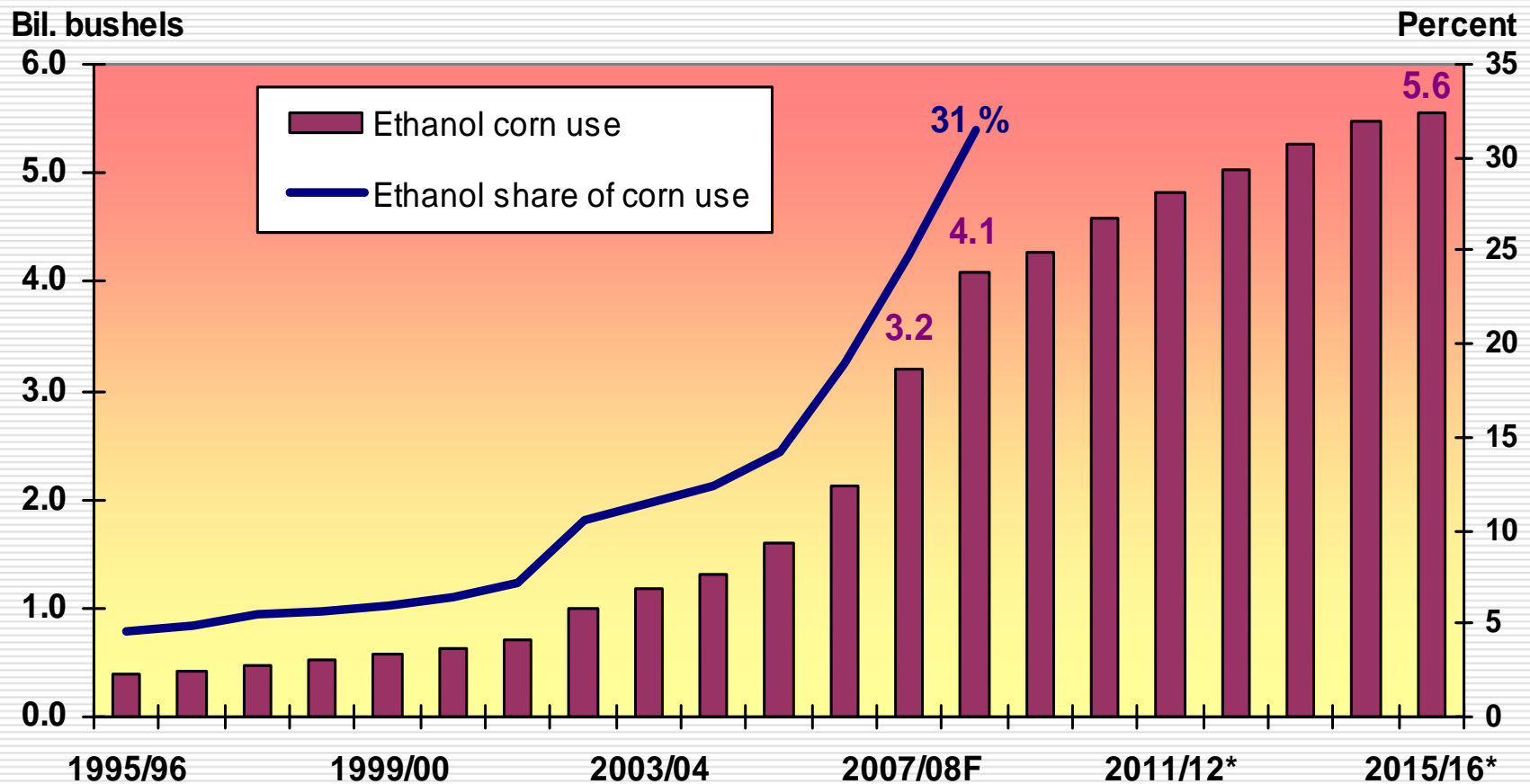
# U.S. Ethanol Production Capacity

## Annual Capacity by Month



# U.S. Corn Used for Ethanol

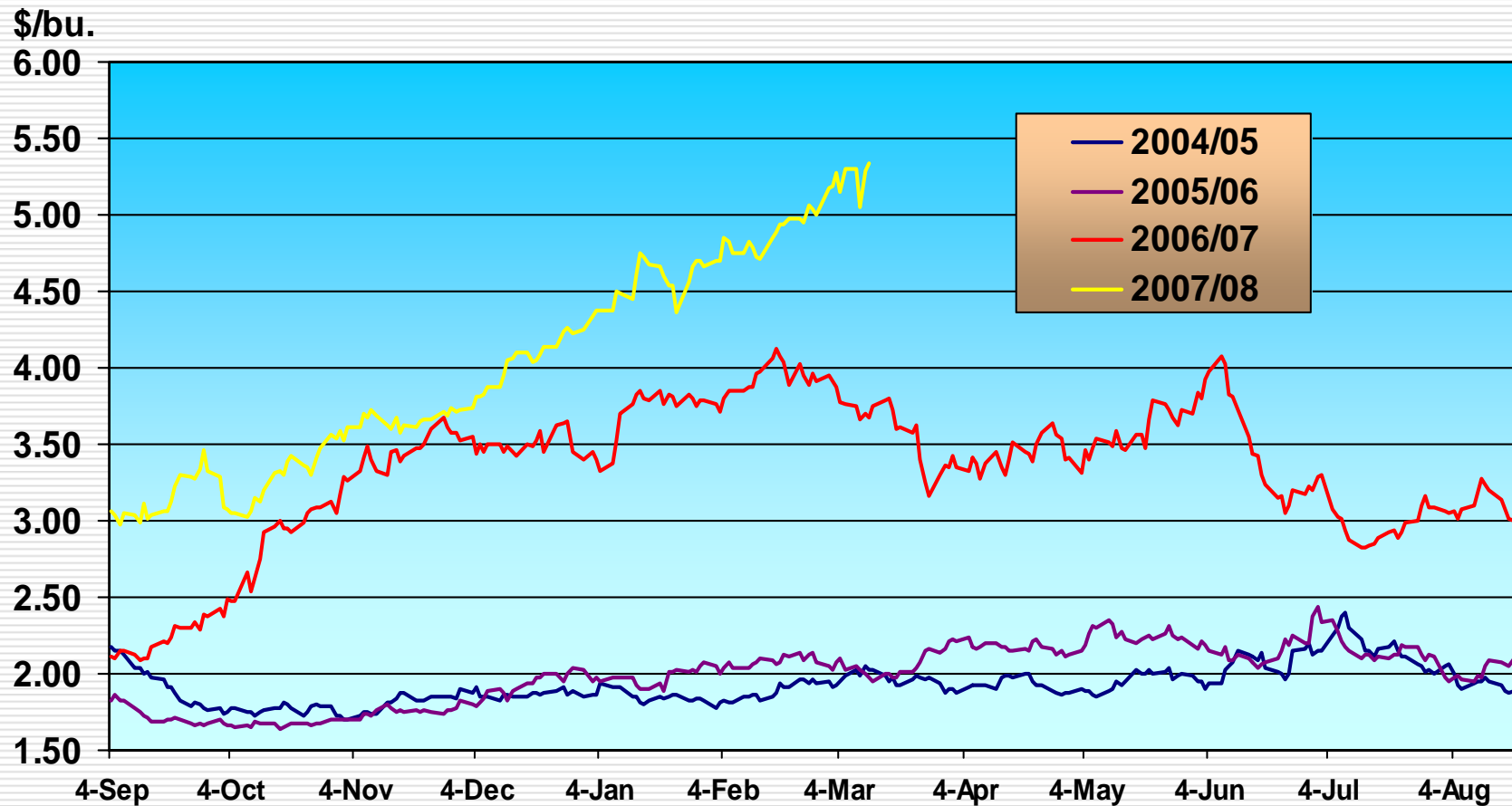
1995/96 through 2015/16\*



Note: 2007/08 is projected based on the *World Agricultural Supply and Demand Estimates*, February 8, 2008. 2008/09 is projected based on USDA's *Grains & Oilseeds Outlook*, Agricultural Outlook Forum, Washington, D.C., February 22, 2008. \*Projection for 2009/10 based on RFS mandates for corn starch based ethanol under the Energy Independence and Security Act of 2007.

# Daily Cash Market Corn Prices

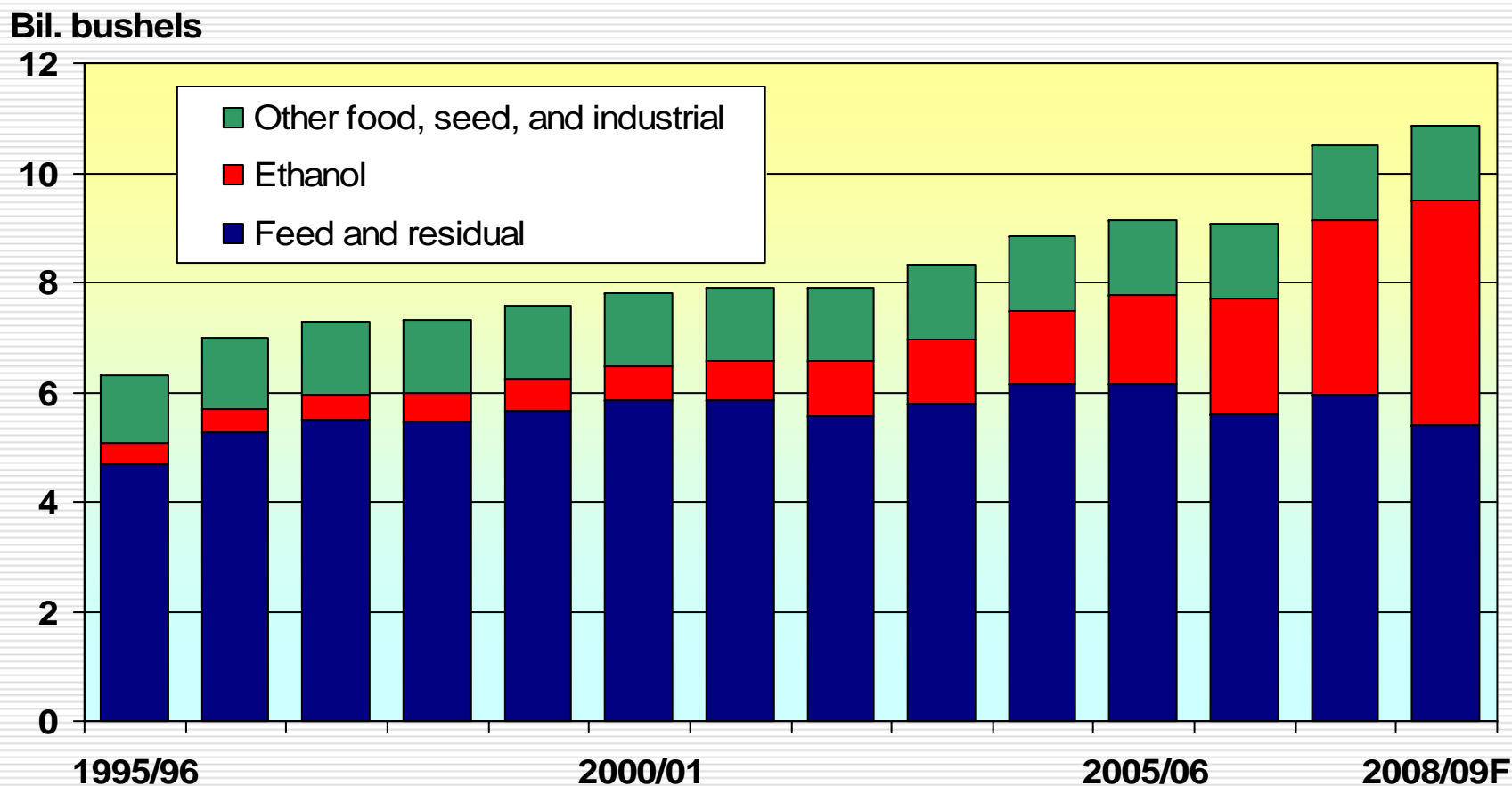
2004/05 through 2007/08 to date



Note: Central Illinois cash bids.

# U.S. Domestic Corn Use

## 1995/96 through 2008/09F

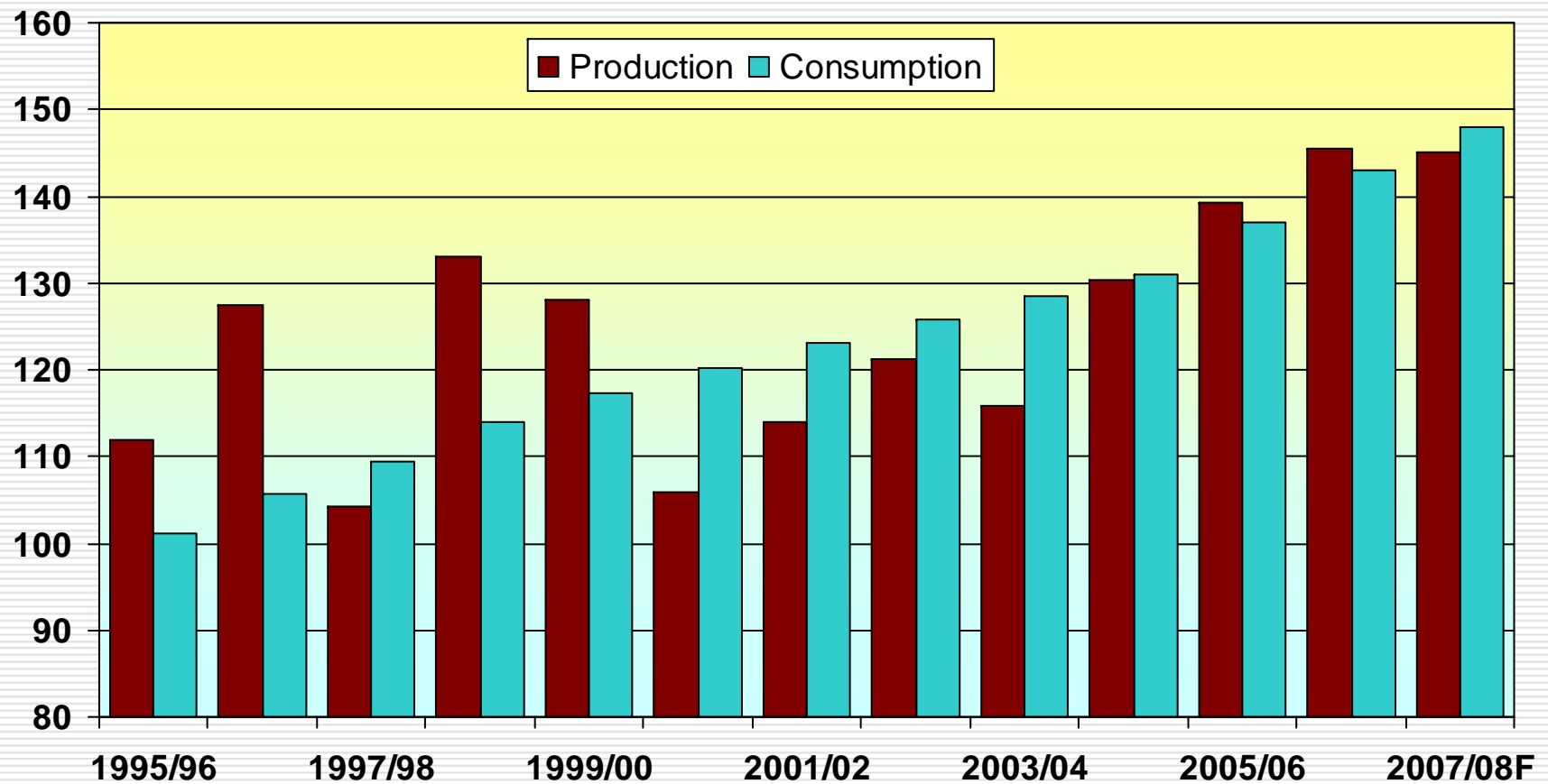


Note: 2007/08 projections based on the *World Agricultural Supply and Demand Estimates*, March 11, 2008. 2008/09 projections from USDA's *Grains & Oilseeds Outlook*, Agricultural Outlook Forum, Washington, D.C., February 22, 2008.

# China Corn Production and Consumption

1995/96 through 2007/08F

Mil. Metric Tons

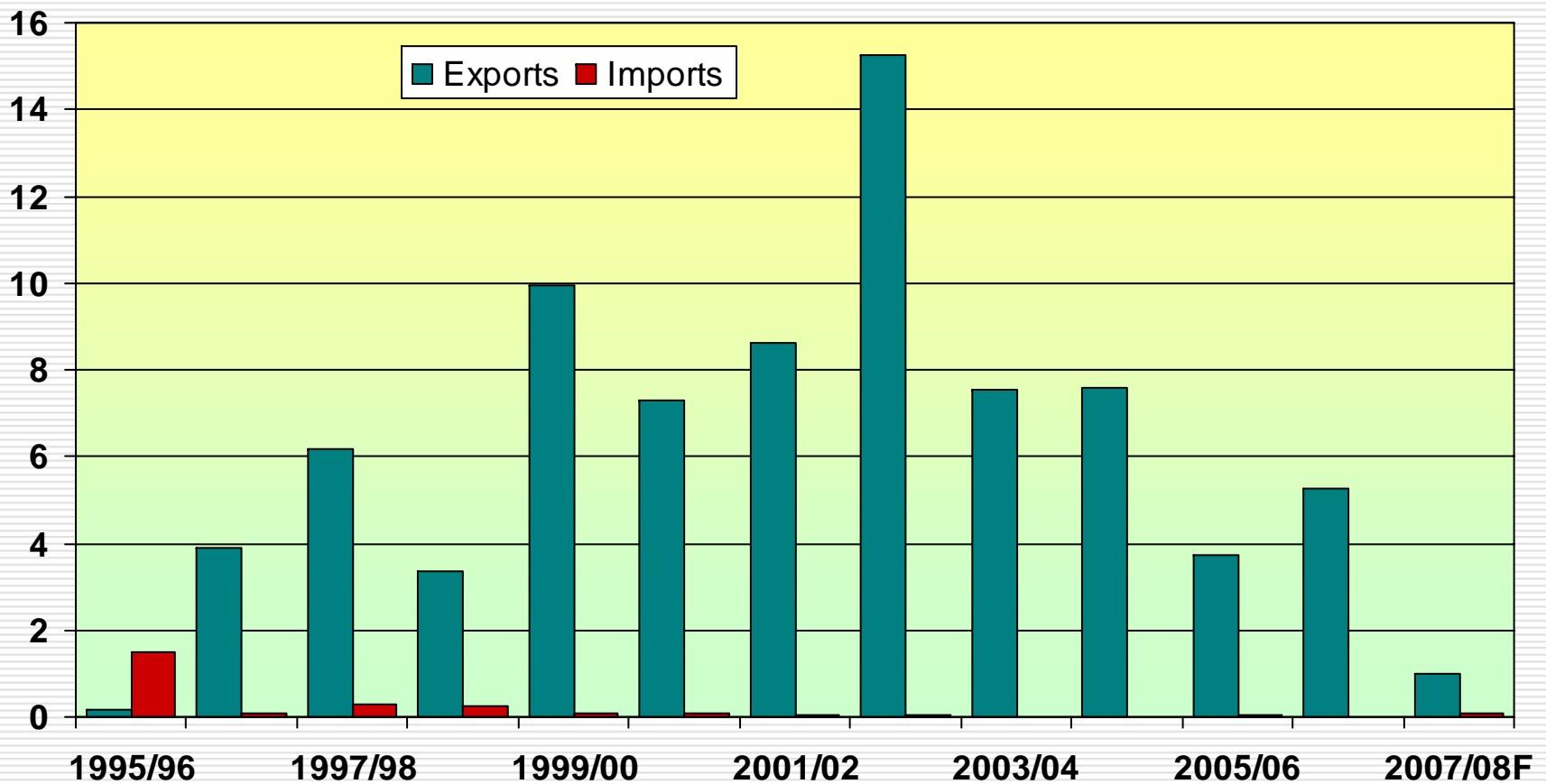


Note: 2007/08 production and consumption are projected based on the *World Agricultural Supply and Demand Estimates*, January 11, 2008.

# China Corn Exports

## 1995/96 through 2007/08F

Mil. Metric Tons



Note: 2007/08 production and consumption are projected based on the *World Agricultural Supply and Demand Estimates*, January 11, 2008.

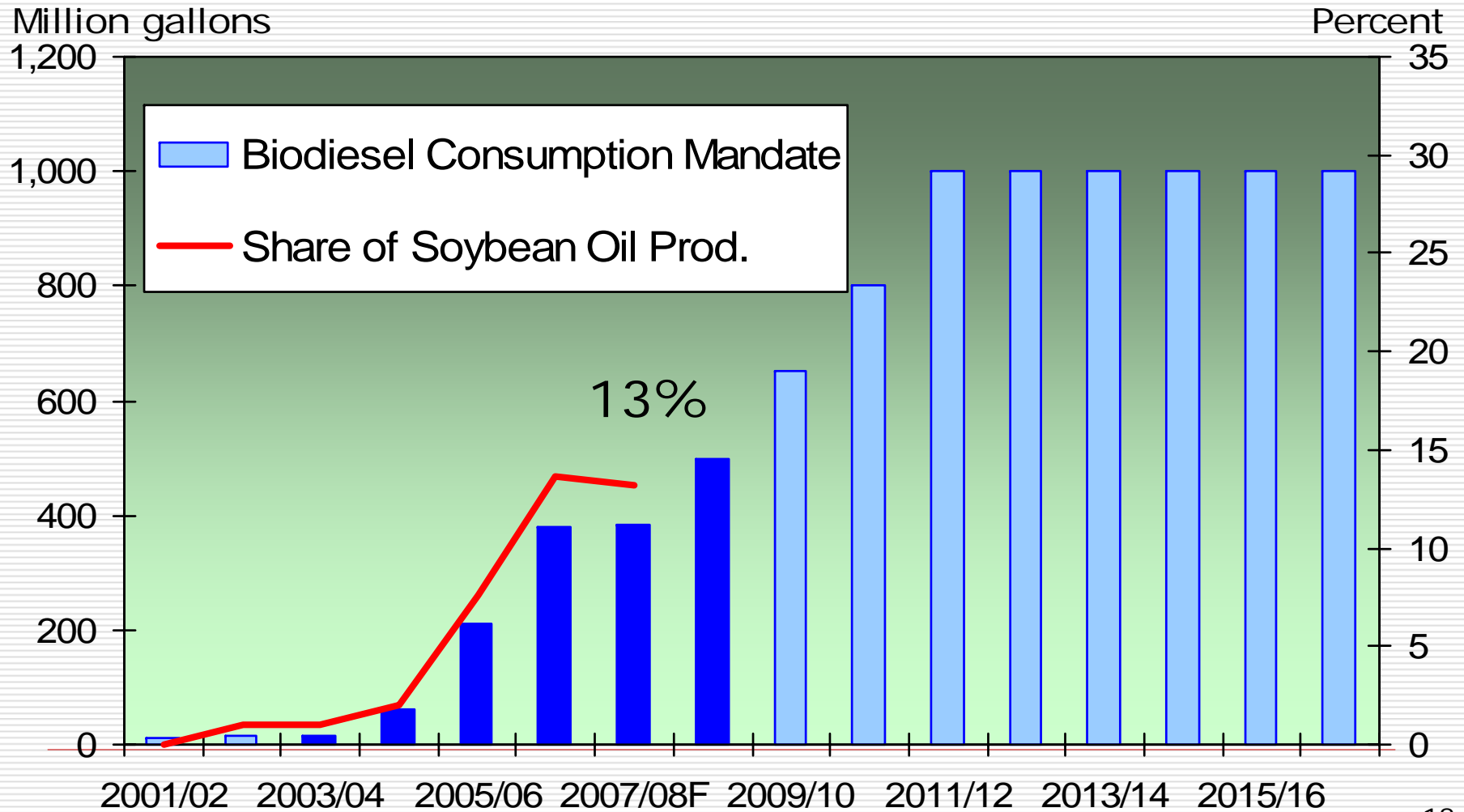


# U.S. Soybean Oil Supply and Demand

	2006/07 estimate	2007/08 forecast	2008/09 forecast	Change from 2008/09
	<i>Million pounds</i>			<i>Percent</i>
Beginning stocks	3,010	2,904	2,502	-13.9
Production	20,487	21,195	21,205	0.0
Imports	37	37	50	33.4
Total supply	23,535	24,137	23,757	-1.6
Domestic	18,743	18,900	19,750	4.5
Methyl ester	2,796	2,800	3,500	25.0
Exports	1,888	2,400	1,850	-22.9
Total use	20,630	21,300	21,600	1.4
Ending stocks	2,904	2,837	2,157	-24.0
	<i>Cents per pound</i>			
Average market price	31.02	55.00	49.50	-10.0

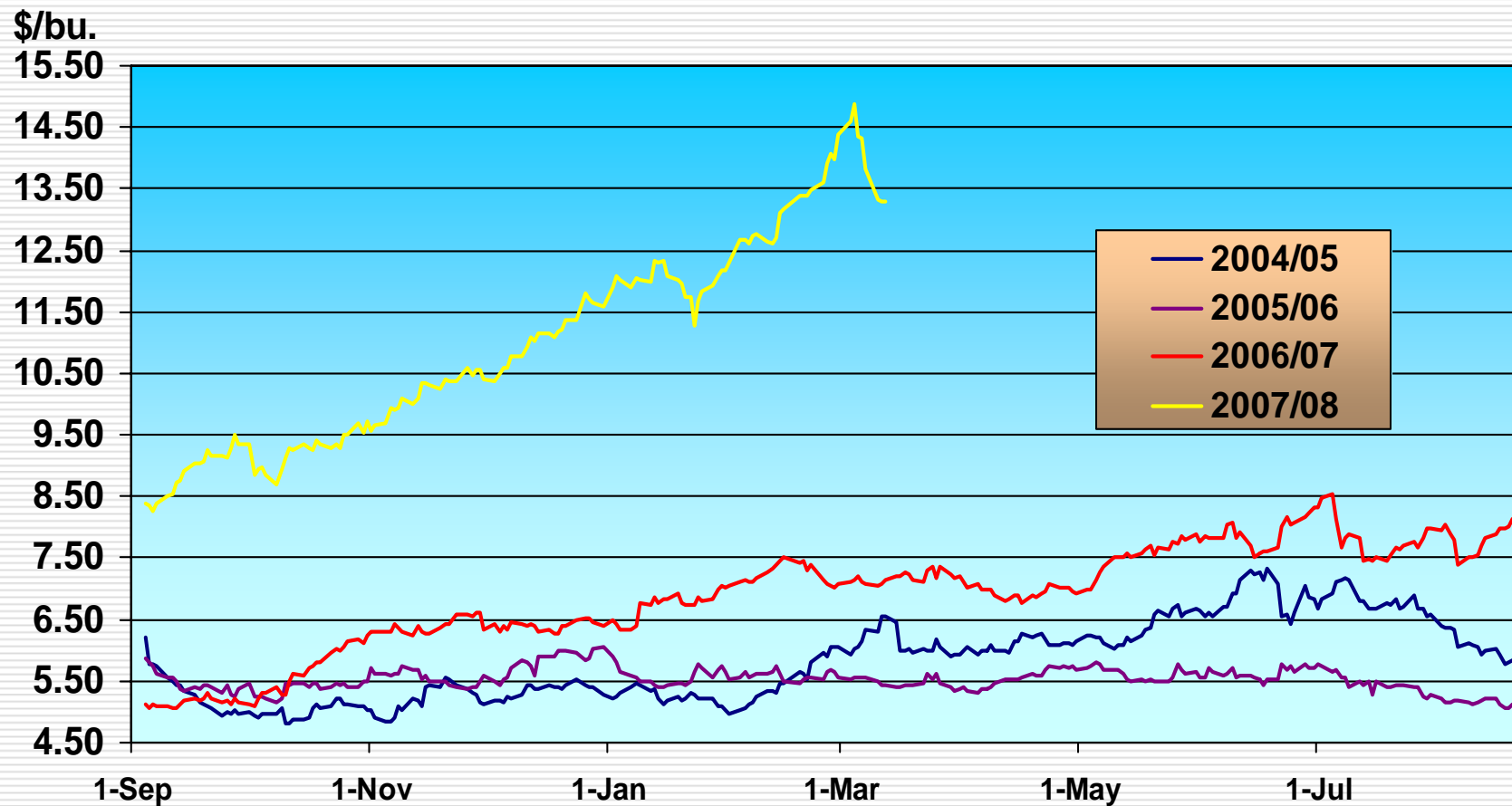
# U.S. Biodiesel Mandate . . .

## (2007 Energy Act)



# Daily Cash Market Soybean Prices

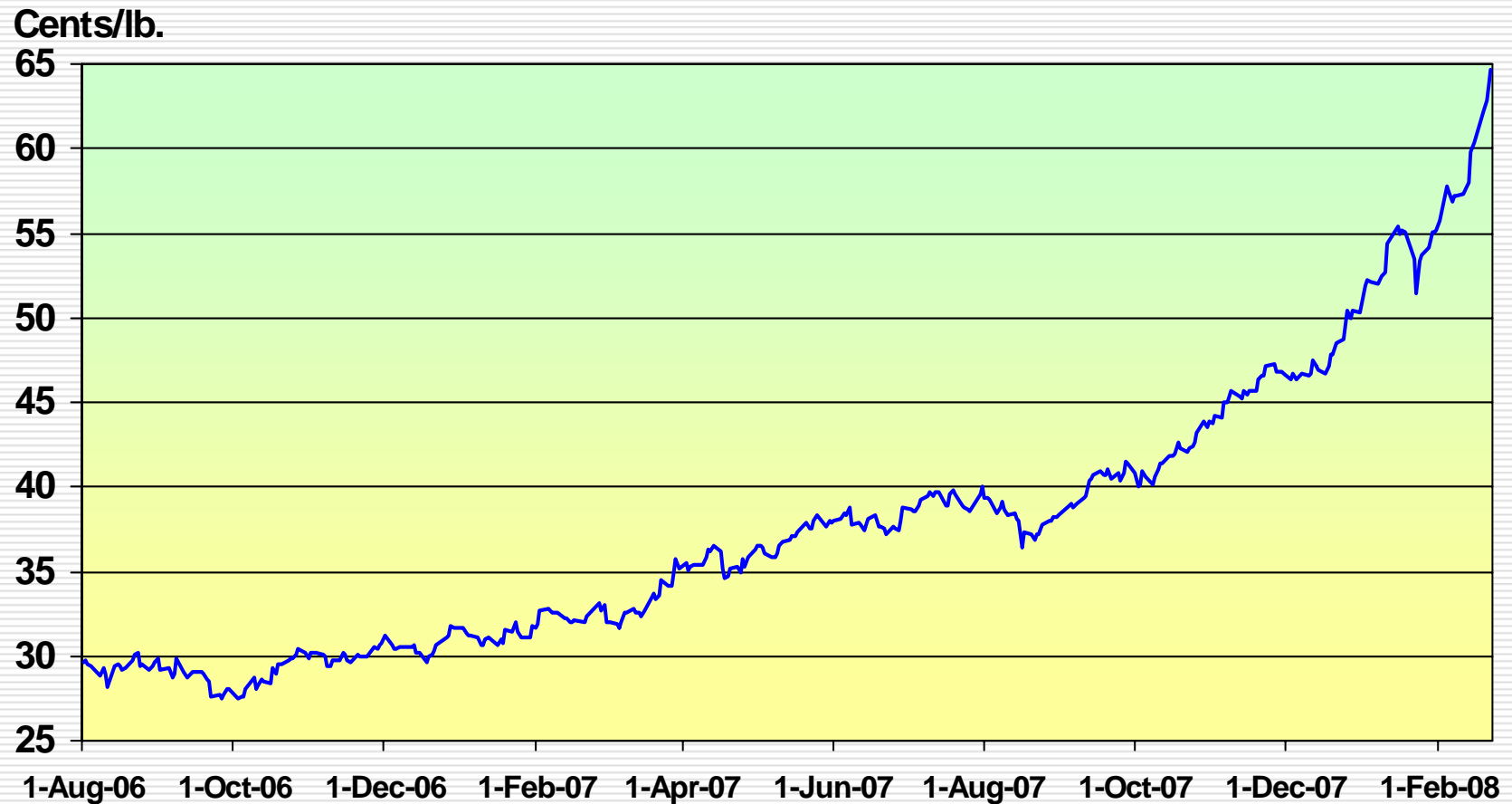
2004/05 through 2007/08 to date



Note: Central Illinois cash bids.

# Soybean Oil Futures Prices

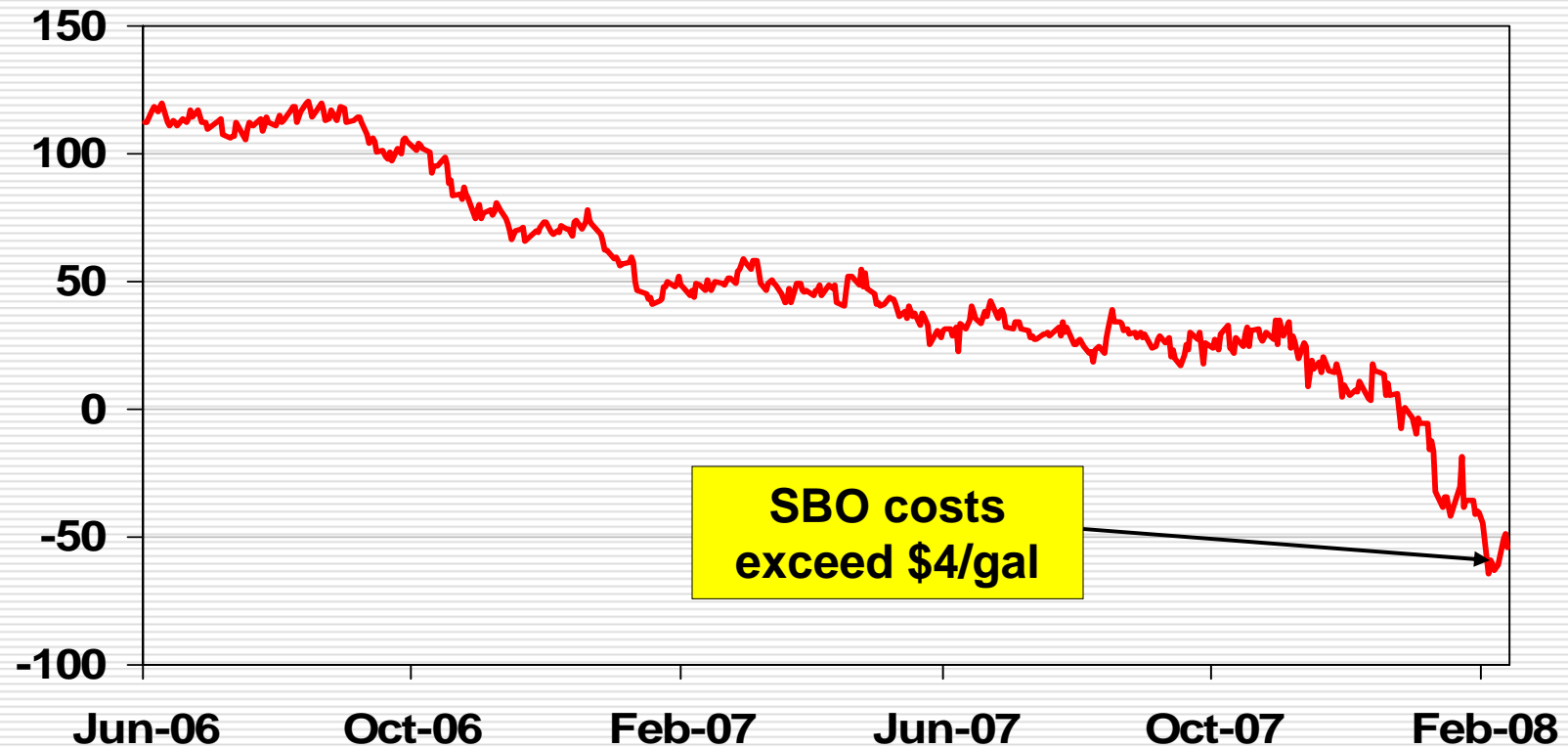
December 2008 Contract



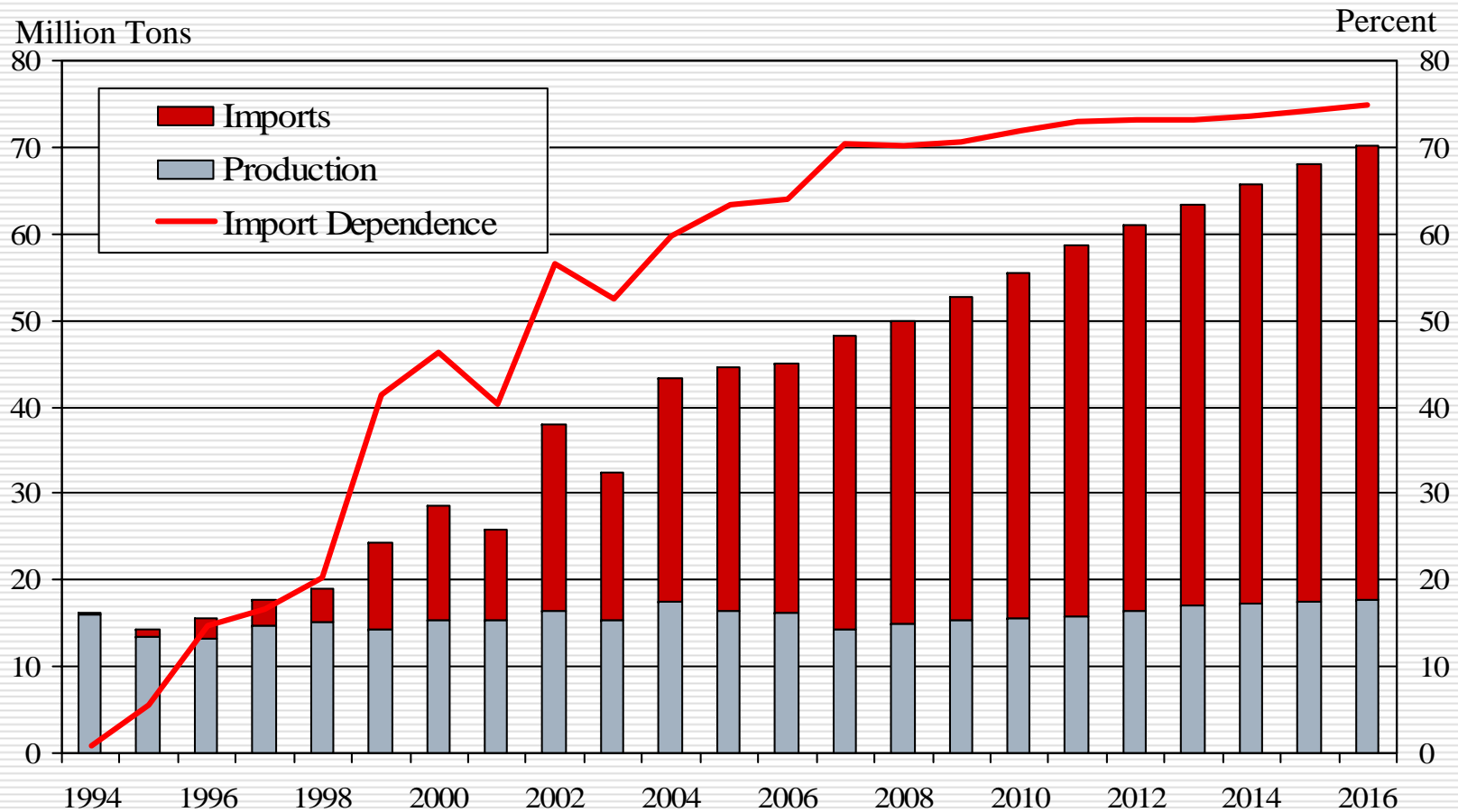
Note: Chicago Board of Trade daily settlement prices.

# Biodiesel Margin

cents/lb

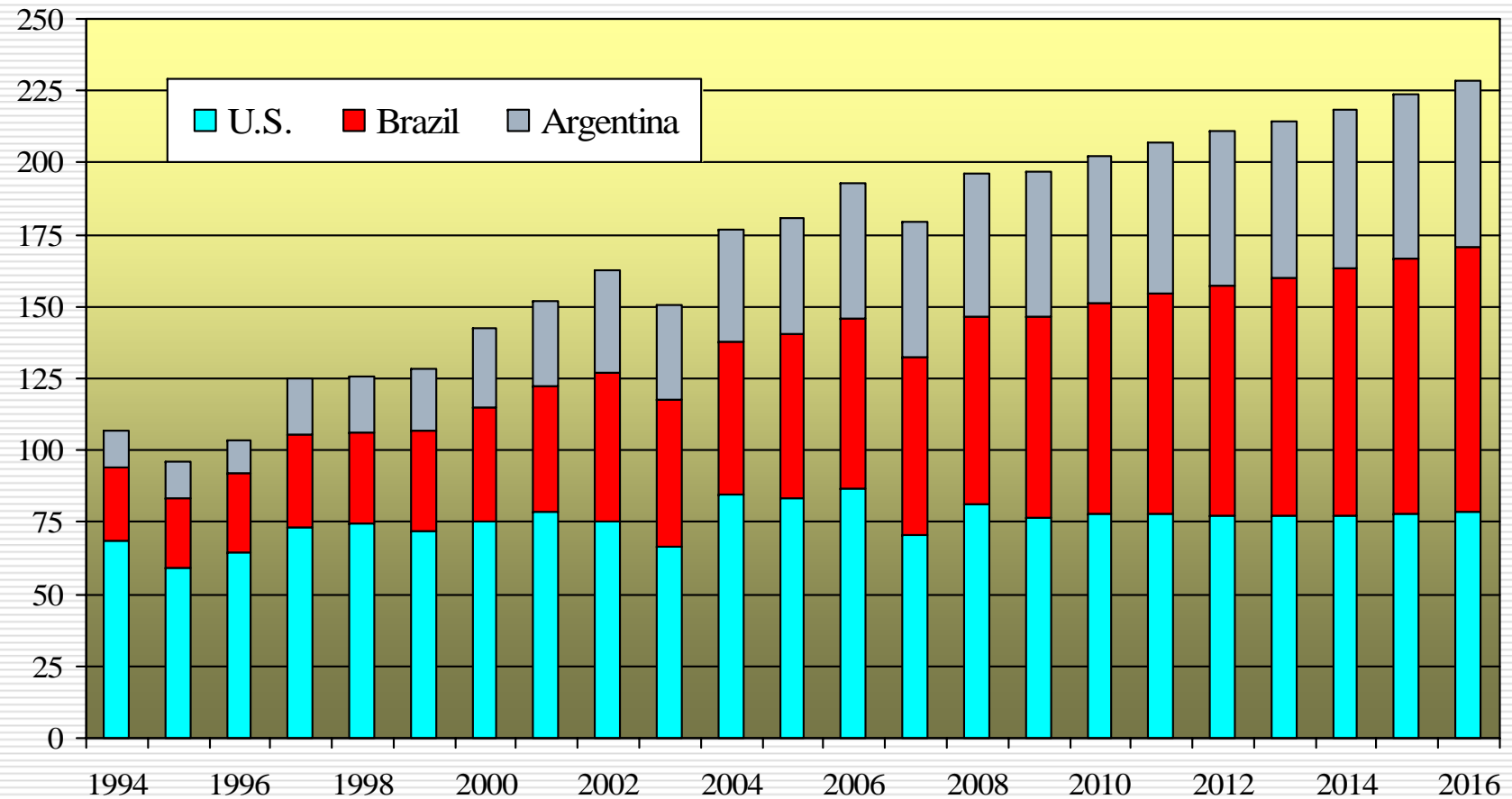


# China Soybean Import Dependence Expected to Increase in the Next 10 Years



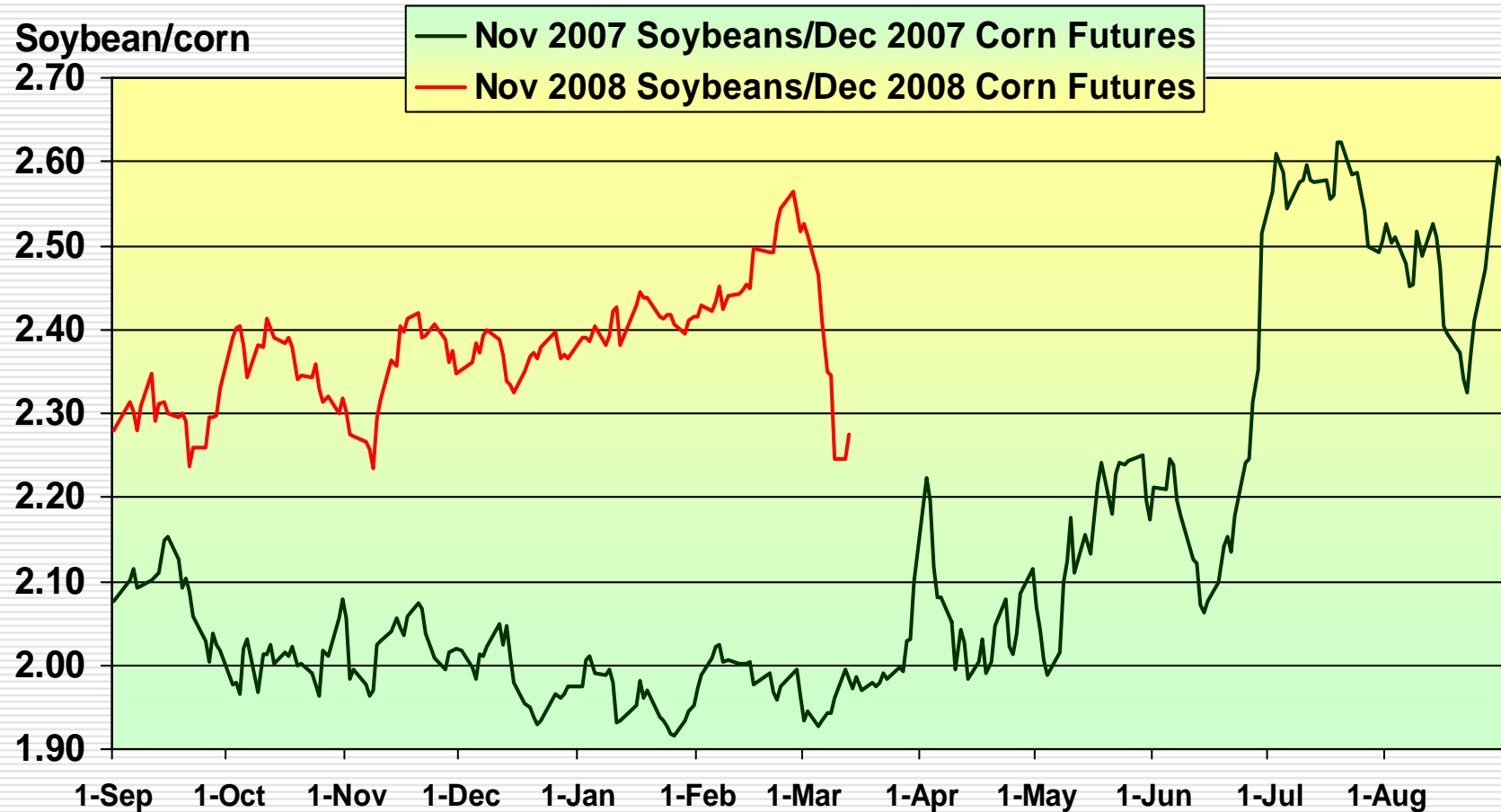
# Soybean Production Trends

Million Tons



# New-crop Soybean/Corn Price Ratios

2007-crop and 2008-crop through March 12, 2008

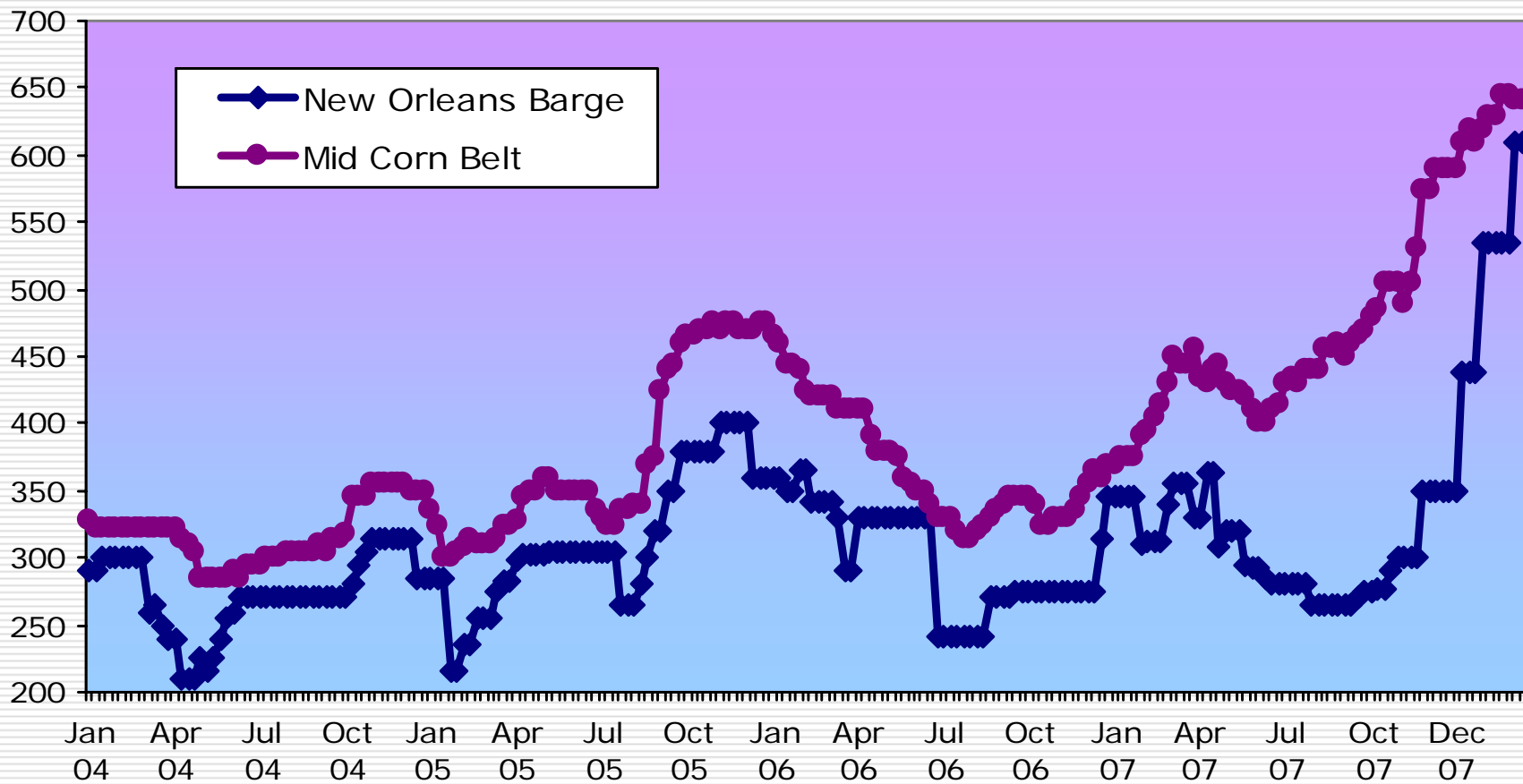


Note: Chicago Board of Trade daily settlement prices.



# U.S. Ammonia Prices, weekly

\$ per short ton



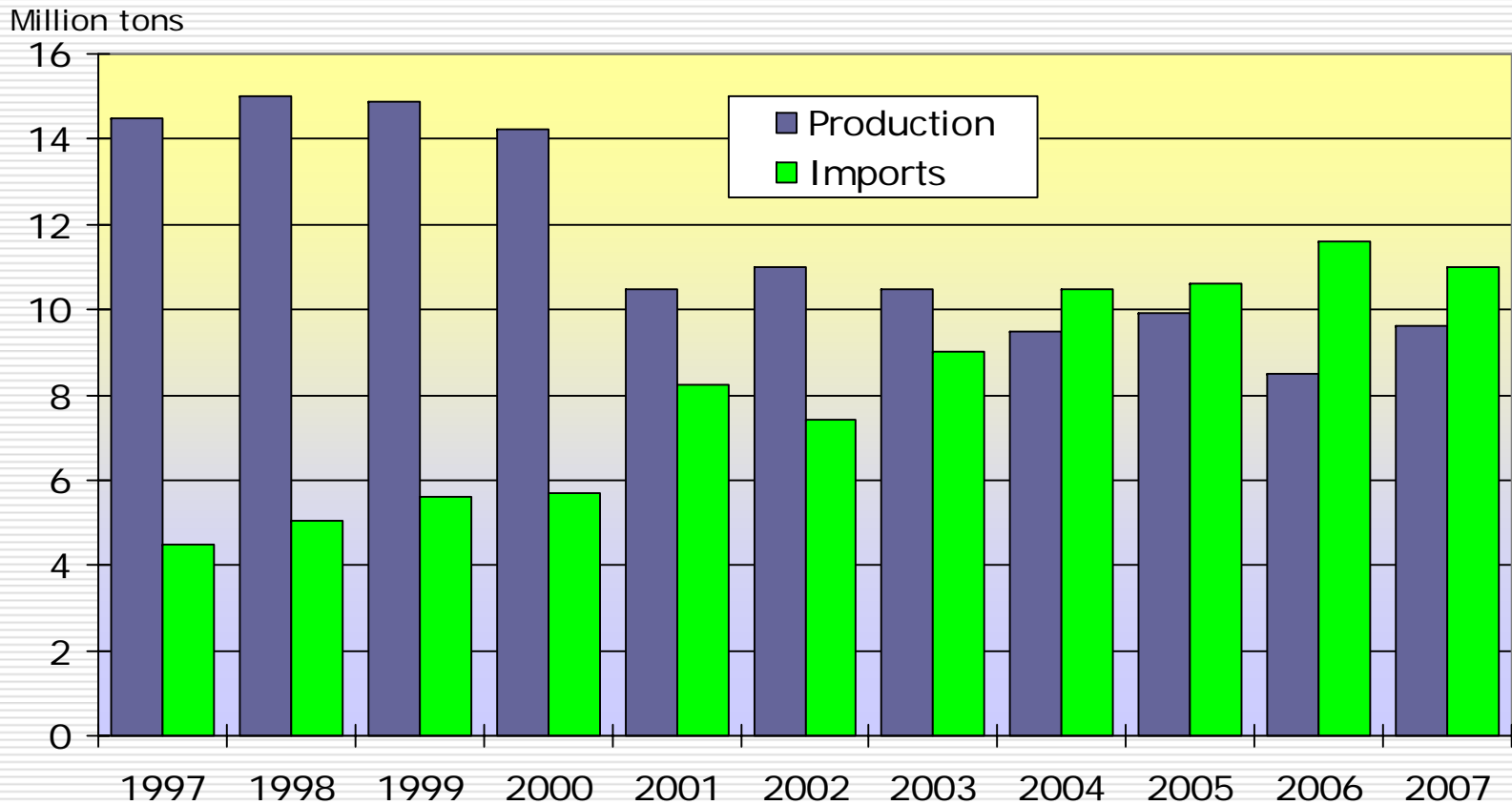
Source: Green Markets Fertilizer Market Intelligence Weekly

# Projected Growth Rates

	2008	2009	2010	Average
U.S.	1.8	2.7	3.5	2.7
EU-27	2.1	2.4	2.3	2.3
Japan	1.5	2.0	2.1	1.9
China	11.4	9.2	8.7	9.8
India	7.8	7.7	7.6	7.7
World	3.4	3.6	3.7	3.6

Source: Oxford Economics

# Nitrogen Production and Imports



# U.S. Meat Production and Prices

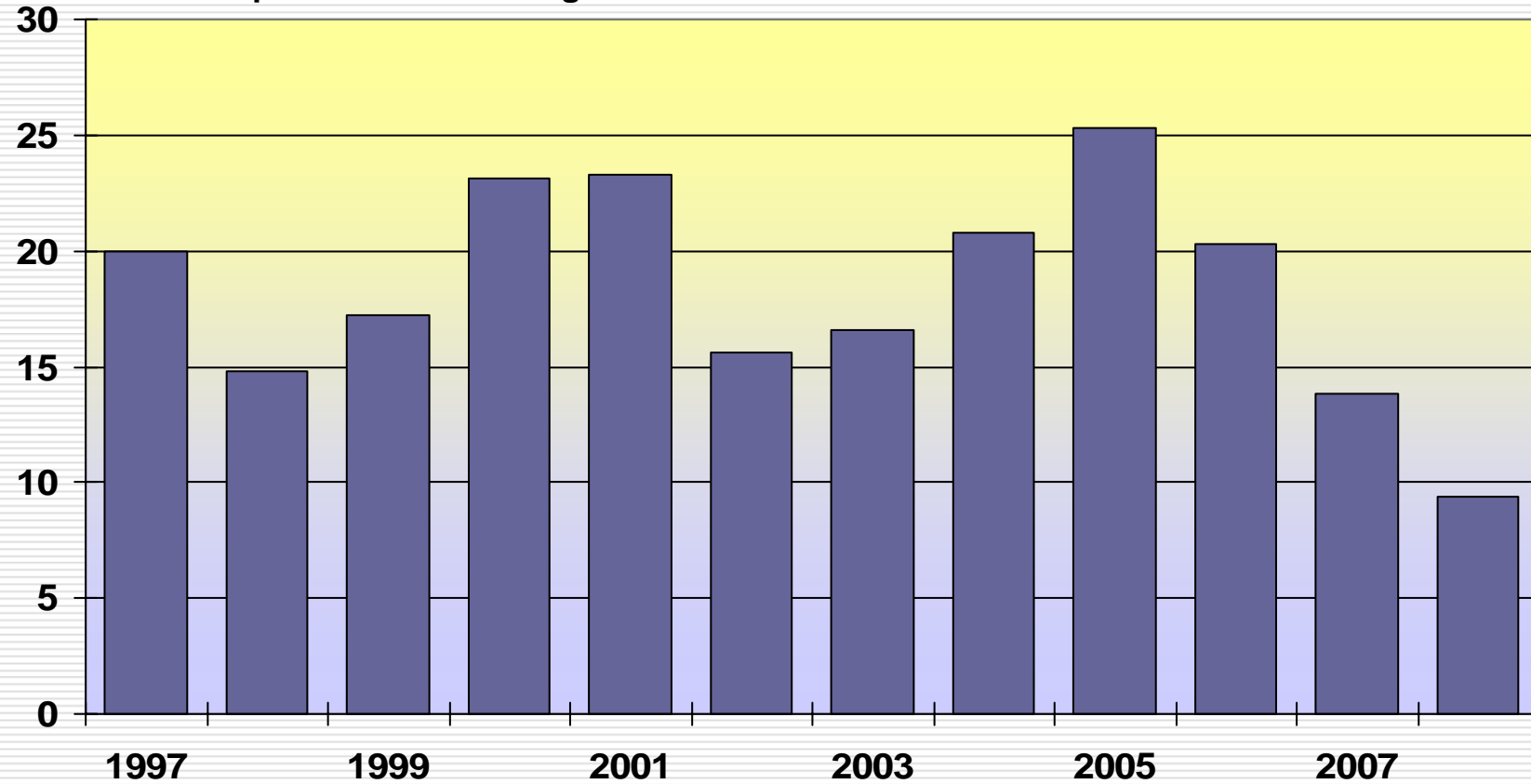
Item	2006	2007	Change from 2006	2008	Change from 2007
<b>Production</b>	<i>Billion pounds</i>	<i>Billion pounds</i>	<i>Percent</i>	<i>Billion pounds</i>	<i>Percent</i>
Beef	26.15	26.42	1.0	26.44	0.1
Pork	21.06	21.94	4.2	23.14	5.4
Broilers	35.50	36.13	1.8	37.13	2.8
Turkey	5.68	5.96	4.9	6.14	3.0
Total meat	89.23	91.27	2.3	93.67	2.6
<b>Prices</b>					
			<i>Dollars/Cwt</i>		
Steers	85.41	91.82	6.41	90.88	-0.94
Hogs	47.26	47.09	-0.17	42.38	-4.71
			<i>Cents/pound</i>		
Broilers	64.4	76.4	12.1	76.4	0.0
Turkey	77.0	82.1	5.1	81.1	-1.0

# U.S. Soybean Meal Supply and Demand

	2006/07 estimate	2007/08 forecast	2008/09 forecast	Change from 2008/09
	<i>Thousand short tons</i>			<i>Percent</i>
Beginning stocks	314	351	300	-14.5
Production	43,027	43,784	44,235	1.0
Imports	156	165	165	0.0
Total supply	43,497	44,300	44,700	0.9
Domestic	34,360	35,300	35,600	0.9
Exports	8,786	8,700	8,800	1.2
Total use	43,146	44,000	44,400	0.9
Ending stocks	351	300	300	0.0
	<i>Dollars per short ton</i>			
Average market price	205.44	335.00	300.00	-10.4

# Hog-Corn Price Ratio

Bushels of Corn per 100 lbs of Live Hogs



\*Based on NASS Prices Received

# U.S. Milk Supply and Demand

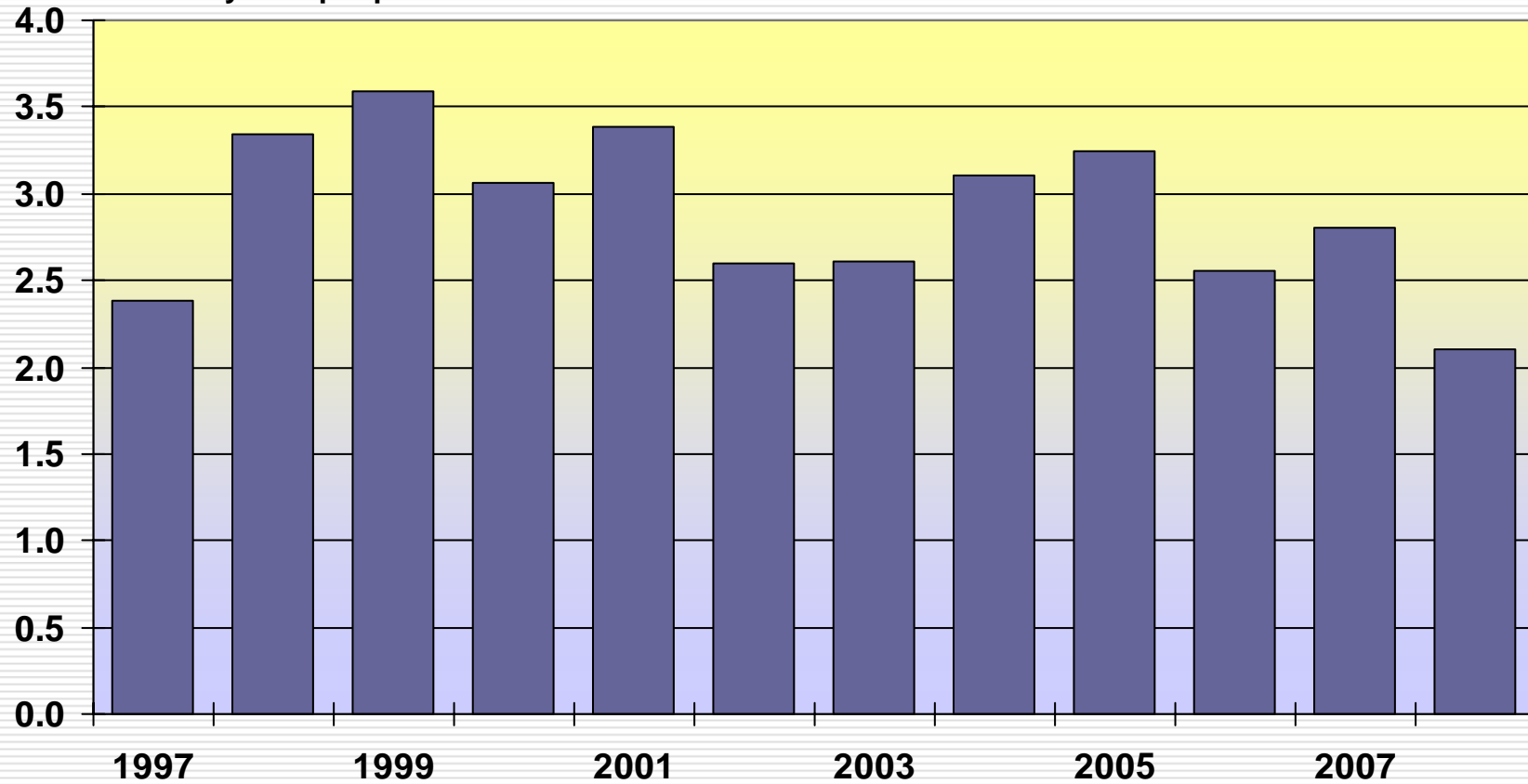
Item	2006	2007	Change from 2006	2008	Change from 2007
	<i>Billion pounds</i>	<i>Billion pounds</i>	<i>Percent</i>	<i>Billion pounds</i>	<i>Percent</i>
<b>Production</b>	<b>181.8</b>	<b>185.6</b>	<b>2.1</b>	<b>190.7</b>	<b>2.7</b>
<b>Commercial use</b>	<b>184.1</b>	<b>188.3</b>	<b>2.2</b>	<b>194.0</b>	<b>3.1</b>
<b>CCC net removals 1/</b>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Percent</i>	<i>Million pounds</i>	<i>Percent</i>
<b>Butter</b>	<b>0</b>	<b>0</b>		<b>0</b>	
<b>Cheese</b>	<b>0</b>	<b>0</b>		<b>0</b>	
<b>Nonfat dry milk</b>	<b>64</b>	<b>0</b>		<b>0</b>	
<b>Dry whole milk</b>	<b>0</b>	<b>0</b>		<b>0</b>	
<b>Average market price 2/</b>			<i>Dollars/Cwt</i>		
<b>Class III</b>	<b>11.89</b>	<b>18.04</b>	<b>6.15</b>	<b>16.45</b>	<b>-1.59</b>
<b>Class IV</b>	<b>11.06</b>	<b>18.36</b>	<b>7.30</b>	<b>15.30</b>	<b>-3.06</b>
<b>All milk</b>	<b>12.90</b>	<b>19.13</b>	<b>6.23</b>	<b>17.60</b>	<b>-1.53</b>

1/ Includes products exported under the dairy export incentive program.

2/ Prices are mid-point of published forecasts; milk of average fat test.

# Milk-Feed Price Ratio

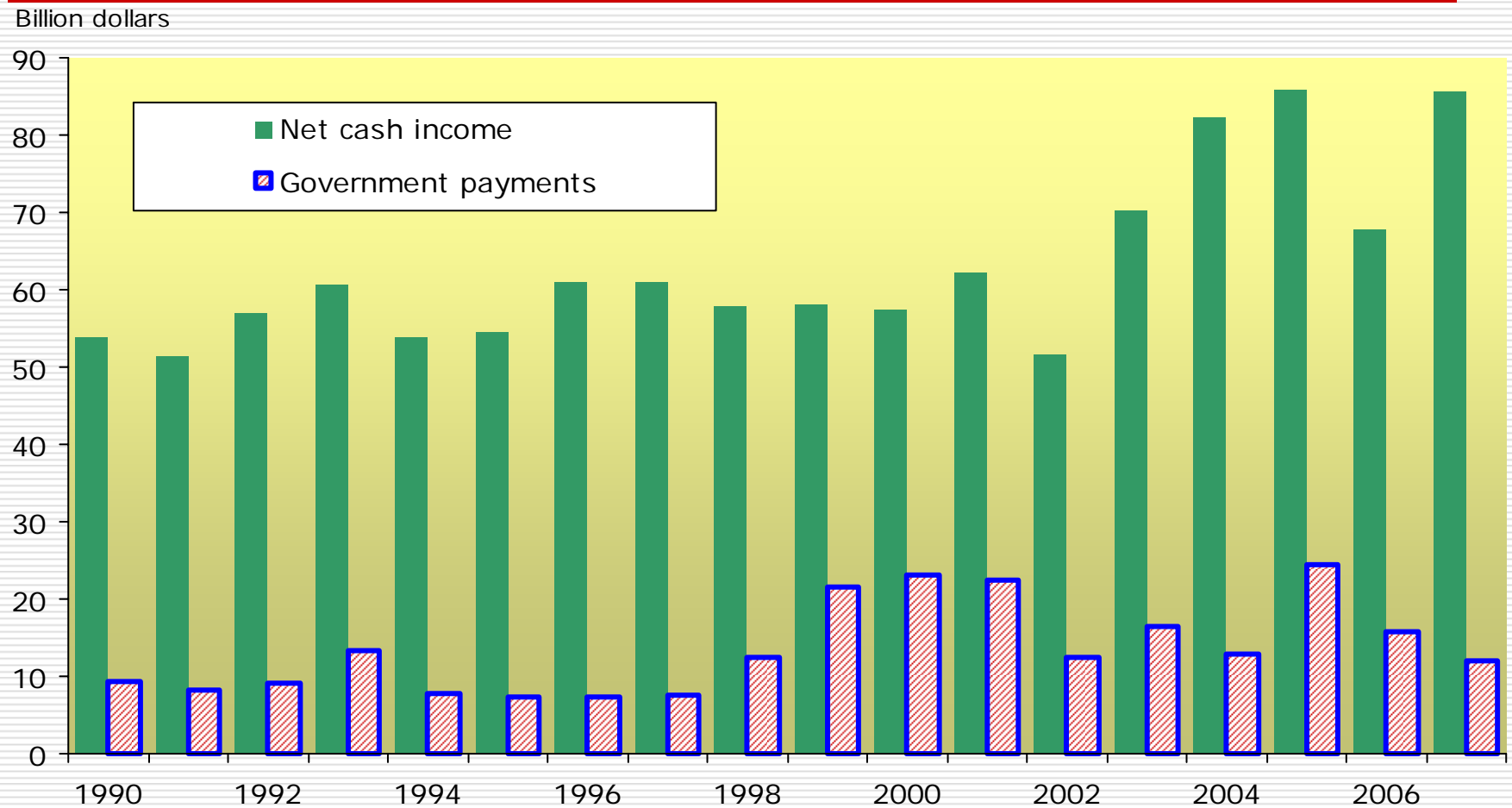
Pounds of dairy feed per pound of milk\*



\*Based on NASS Prices Received



# Cash Farm Income and Government Payments



Source: Economic Research Service, USDA

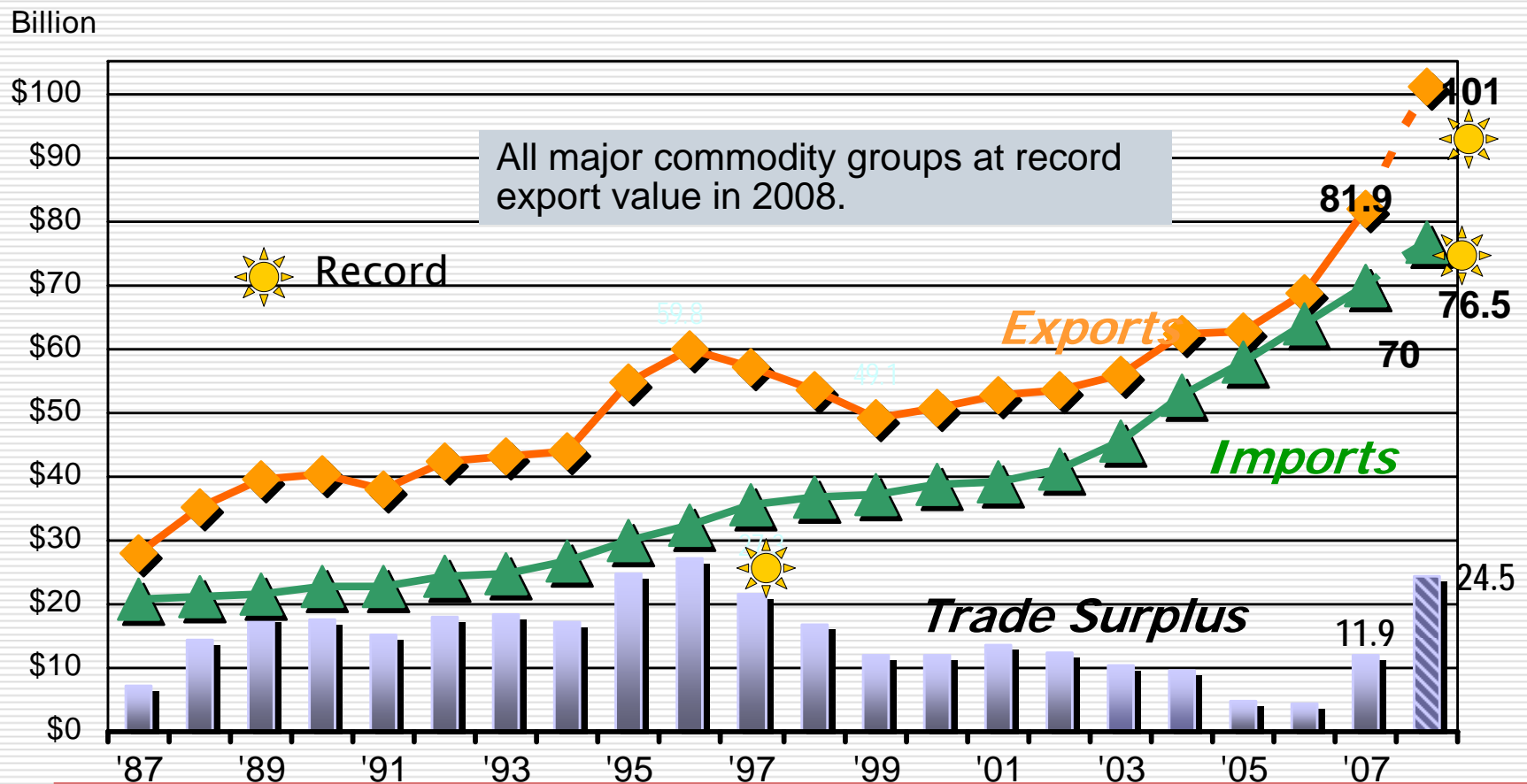
# Consumer Prices and Prices Received by Farmers

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Year	CPI for Food	Farm Prices Percent
2005	2.4	-2.7
2006	2.4	0.1
2007	4.0	18.1

Sources: U.S. Bureau of Labor Statistics, National Agricultural Statistics Service

# U.S. Agricultural Exports and Imports



# Adjustments to Outlook Stemming From Provisions of 2007 Energy Act

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- ❑ Corn, Soybean, and Soybean Oil Prices would be Higher
- ❑ Overall Acres would be up with a Greater Proportion Planted to Corn and Soybeans
- ❑ Given Higher prices, Exports and Feed Use of Feed Grains would be Lower
- ❑ Soybean Meal would be more Plentiful
- ❑ Further Adjustments in the Livestock Sector would be Required

END

**Michigan Farm Bureau**